

Message Text

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ACTION EB-07

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FM AMEMBASSY CARACAS
TO SECSTATE WASHDC 2823

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TAGS: EALR, EGEN, EIND, VE

SUBJ: PROPOSED STEEL MILL FOR PUERTO RICO

REF: 75 CARACAS A-208

1. IN AN INTERVIEW REPORTED IN EL NACIONAL, APRIL 13, 1976, DEVELOPMENT MINISTER, DR. JOSE I. CASAL, ANNOUNCED THAT VENEZUELA AND PUERTO RICO ARE STUDYING PLANS TO ESTABLISH A MILL TO PROCESS SEMI-FINISHED VENEZUELAN STEEL IN PUERTO RICO. DR. CASAL ADDED THAT PUERTO RICO IS NOW UNDERTAKING A STUDY OF THE US. MARKET FOR THE PROJECTED OUTPUT OF THE MILL. WHILE DR. CASAL STATED THAT NO FIRM DECISIONS HAVE BEEN MADE ON THE STRUCTURE OF THE CORPORATION OR THE FINANCING OF THE PROJECT, HE SAID THAT THERE WOULD BE JOINT VENEZUELAN-PUERTO RICAN CONTROL AND PARTICIPATION BY THE VENEZUELAN GUAYANA CORPORATION (CVG), PARENT COMPANY OF THE GOV STEEL PLANT, SIDOR.

2. WIRESERVICE SOURCES IN PUERTO RICO REPORTED THAT THE PROPOSED MILL WOULD PROCESS BETWEEN 1 AND 1.5 MILLION TONS OF SEMI-FINISHED STEEL ANNUALLY. REPORTS FROM SAN JUAN HAVE ALSO LINKED THE PROJECT WITH CURRENT NEGOTIATIONS BETWEEN VENEZUELA AND PUERTO RICO, WHICH REPORTEDLY WOULD ESTABLISH A \$200-250 MILLION DOLLAR CREDIT LINE FOR PUERTO RICAN CRUDE OIL PURCHASES FROM VENEZUELA.

3. COMMENT: VENEZUELA EXPECTS TO PRODUCE 10 MILLION TONS OF STEEL BY 1986. SIDOR IS SCHEDULED TO INCREASE PRODUCTION FROM UNCLASSIFIED

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PRESENT 1.2 MILLION TONS ANNUALLY TO 5 MILLION TONS BY

1980. THE STEEL FACILITY NOW PLANNED FOR THE ZULIA REGION
WOULD PRODUCE 1.5 MILLION TONS OF STEEL BY 1982
AND 5 MILLION TONS BY 1986, ACCORDING TO CORPOZULIA PRESENT,
DR. FERNANDO CHUMACEIRO.

4. IT NOW APPEARS THAT VENEZUELA IS LOOKING AHEAD TO A SURPLUS
OF SEMI-FINISHED PRODUCT AND IS ATTEMPTING TO TIE DOWN
A GUARANTEED EXPORT MARKET IN THE FACE OF INTENSE WORLD
COMPETITION. THE JOINT PROJECT WITH PUERTO RICO MIGHT ALSO
FACILITATE PENETRATION OF THE U.S. MARKET.

5. A CVG OFFICIAL INFORMED EMBOFF THAT DR. ARGENIS
CAMBOA, PRESIDENT OF CVG, IS DEPARTING FOR PUERTO RICO ON
APRIL 13 TO CONTINUE DISCUSSIONS WITH PUERTO RICAN OFFICIALS.

6. EMBASSY WILL ATTEMPT TO DEVELOP FURTHER INFORMATION
FROM LOCAL INDUSTRY SOURCES.
SHLAUDEMAM

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